

UNITED DAIRYMEN OF ARIZONA

**P.O. Box 26877
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The Honorable Philip Crane, Chairman
Subcommittee on Trade
Committee on Ways and Means
US House of Representatives
Washington, DC 20515

June 6, 2002

Dear Chairman Crane:

We appreciate your request for comments regarding technical corrections to U.S. trade laws. We are writing to urge the passage of H.R. 1786, legislation that would impose tariffs on imports of milk protein concentrate (MPC) and casein.

Arizona dairy producers are among the American dairy farmers currently bearing the financial brunt of an enormous surge in imports of dairy proteins. MPC imports have increased from 16 million pounds in 1995 to a high of 116 million pounds in 2000. As a result, dairy income has declined by approximately \$1.1 billion over this period (due both to lower prices and reduced sales of domestically produced milk).

Customers of domestically produced NFDM buy imported dairy proteins because their tariff free status makes them more cost effective. This development is a result of trade agreements that permit imported dairy proteins to freely substitute for domestically produced milk solids – primarily, nonfat dry milk (NFDM). Passage of H.R. 1786 would effectively close the loophole in our trade laws now being exploited by foreign exporters of dairy proteins.

Current U.S. restrictions on imported dairy products were developed prior to the negotiations on the General Agreement on Tariffs and Trade (GATT) in 1994. The Tariff Rate Quotas (TRQ's) established by the U.S. under GATT were principally based on the old Section 22 quotas for cheese, butter, and nonfat dry milk. Those products have received special attention because of the effect that significant imports those products would have on the dairy price support program.

There are two developments which make this gray area in the language of the trade law costly to US dairy producers and tax payers. First, the “ultrafiltration” technology required for producing authentic MPC is more available in dairy exporting countries now than when the current trade agreements were written. Thus, a product that may not have warranted attention prior to 1995 is now a major player on the dairy import scene. Second, foreign dairy exporters sidestep the tariff on NFDN by combining it with whey powder or other forms of dairy protein and call it MPC.

Large quantities of imported dairy proteins are displacing U.S.-produced nonfat dry milk and other forms of domestic milk solids. When our commercial sales slump, we sell the powder to the government through the dairy support program. Efforts by the U.S. Department of Agriculture to reduce purchases of nonfat dry milk have only led to reduced income for America’s dairy producers. As a result, both U.S. taxpayers and dairy farmers have suffered as a result of the onslaught of foreign imports of dairy proteins. The passage of H.R. 1786 would remedy this situation in a fair manner by applying the same tariff-rate quotas currently assessed on similar dairy products like nonfat dry milk.

Please understand. Our co-op supports trade agreements – as long as they result in trade that is truly free and equitable. We fully understand that due to pre-existing obligations, the U.S. cannot change its laws regarding tariff law overnight. H.R. 1786 has been written so that any corrective measures comply with the rules of the World Trade Organization (WTO) for making adjustments in a country’s tariff concessions.

On behalf of the United Dairymen of Arizona, we believe that H.R. 1786 will close the loopholes in current trade law and do so in a manner that is equitable to our trading partners, to US taxpayers, and to dairy producers. We urge you to include it in the trade law package.

Sincerely,

Jim Boyle, President
UDA Board of Directors
Jim Boyle Dairies
19965 E. Elliot Road
Mesa, AZ 85212-9643

The Honorable Philip Crane, Chairman
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

June 6, 2002

Dear Mr. Chairman:

Thank you for the invitation to comment on the U.S. Trade Laws in preparation for the vote on H.R. 1786.

I am a dairy producer in Arizona. I am concerned about the large quantities of imported dairy proteins that are displacing U.S.-produced nonfat dry milk and other forms of domestic milk solids. Importers do not pay a tariff on milk protein concentrate, a product which slips through current trade law cracks. They effectively underbid US dairy producers of nonfat dry milk. As a result, both US dairy producers AND taxpayers are impacted: The taxpayers subsidize the dairy support program in which our government purchases the nonfat dry milk that otherwise would have been purchased by commercial enterprises. Efforts by the U.S. Department of Agriculture to reduce purchases of nonfat dry milk have only led to reduced income for America's dairy farmers.

The passage of H.R. 1786 would remedy this situation fairly by applying to MPC and casein the same tariff-rate quotas currently assessed on similar dairy products like nonfat dry milk.

Thank you for your request for comments.

Sincerely,

Gary Allen
A & H Dairy
8605 S. Palo Verde Road
Buckeye, AZ 85326

The Honorable Philip Crane, Chairman
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

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Dear Mr. Chairman:

I am a dairy producer in Arizona, and I thank you for your request for comments as your committee considers whether to include H.R. 1786 in the trade package.

Imports of Milk Protein Concentrates used to be no big deal. In 1995, imports amounted to 16 million pounds. Now they're over 116 million pounds. It's a big deal now because of the impact on the dairy price support program. U.S. customers would prefer to buy a lower priced product - MPC, or a mix of NFD and whey powder, a "fake" MPC if you will - and avoid paying a tariff.

They avoid a tariff because the trade laws are not explicit enough. By not paying a tariff, not only are U.S. dairy producers impacted; the taxpayer takes a hit because our taxes underwrite the dairy support program. The powder we can't sell to U.S. customers is purchased by the government.

I understand that the U.S. tariff changes must comply with rules established by the World Trade Organization. H.R. 1786 was written to accommodate that requirement. I ask that the committee include this bill in its trade law package.

Sincerely,

Henry Kibler
Markwood Enterprises
21411 S. Cooper Road
Chandler, AZ 85249-2512

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Thank you for your request for comments.

Sincerely,

Dennis Taylor
Taylor's Holsteins
15401 W. Hardin Road
Marana, AZ 85653-9468

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Sincerely,

Kent Butler
Butler Dairy
28908 W. Southern Avenue
Buckeye, AZ 85326-5449

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Thank you for your request for comments.

Sincerely,

Jerry Ethington
444 E. Tremaine Drive
Chandler, AZ 85225-1008

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Sincerely,

William E. Odle
Hillcrest Dairy
4802 S. 107th Ave.
Tolleson, AZ 85353-9228

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Sincerely,

Clayton Danzeisen
Danzeisen Dairy
6829 W. Broadway Road
Phoenix, AZ 85043

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Rocky Gingg
Del Rio Dairy
2420 S. 125th Avenue
Avondale, AZ 85323-9709